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Roundup
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The Foreign Agricultural Service of the U.S. Department of Agriculture today reported the following developments in world agriculture and trade.

OILSEED AND PRODUCTS

Soviet Oilseed Forecast Is Up for 1986/87. The U.S. agricultural attache in Moscow forecasts 1986/87 Soviet oilseed production at 11.1 million metric tons, up from 10.8 million tons this year. Most of the growth will be in sunflowerseed production, which is forecast at 5.4 million tons. Cottonseed production is forecast at 4.875 million tons. These crops comprise over 90 percent of total oilseed production. To stimulate sunflowerseed and soybean production, the government will provide an oilseed meal and mixed feed bonus for specified deliveries to the state. Beginning in 1987, an additional premium will be provided for soybean deliveries above the 1981-85 delivery average. If these incentives are effective, they may benefit the livestock industry by increasing feed supplies.

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Soviet Meal Use May Rise Again in 1986/87. Protein meal use in the Soviet Union in 1986/87 could approach 7.8 million tons, according to the U.S. agricultural attache. Emphasis on animal production and new directions instructing the State Committee for the Agro-Industrial Complex to introduce food expenditure norms in 1987 to ensure a reduction in grain expenditure per unit of livestock production should boost meal demand. Historically, Soviet crush has been geared to oil production. This appears to be changing as demand for balanced feed rations to stimulate meat and milk production has resulted in greater emphasis on meal output. The Soviets appear to have made a decision to utilize crush facilities more fully rather than depend heavily on oilseed product imports. However, the levels and mix of oilseed and meal imports will depend upon the size of the domestic crop and effective crush capacity available, which is estimated to be roughly 12 million tons annually.

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LYNN K. GOLDSBROUGH, Editor, Tel. (202) 382-9442. Additional copies may be obtained from FAS Media and Public Affairs Branch, 5922-S, Washington, D.C. 20250. Tel. (202) 447-7937.
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India Permits Soybean Oil/Peanut Oil Blending. In a major policy initiative that may promote consumption of liquid soybean oil, India has permitted private processors to blend refined soybean oil with peanut oil. Previously, only government agencies were allowed to blend vegetable oils. India's policy change could lead to reduced regional preferences for various oils and increased use of soybean oil. USDA is currently estimating India's 1985/86 soybean oil imports at 250,000 tons, and total vegetable oil imports at 1.1 million tons.

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Canada Targets United States for Rapeseed Product Exports. Canada is now targeting fewer markets for rapeseed product promotion, but in those markets it is carrying out a more sophisticated market development strategy. This includes feeding trials, trade missions with show displays, advertising and publications. Targeted products and markets include rapeseed in Mexico, rapeseed oil and meal in the United States and rapeseed meal in the Pacific Rim. The U.S. agricultural counselor in Ottawa forecasts Canada's 1986/87 rapeseed meal exports at 350,000 tons and rapeseed oil at 235,000 tons, increases of 6 and 9 percent, respectively, from last year.

DAIRY, LIVESTOCK AND POULTRY

World Dairy Production. Production projections in the following report have not been adjusted to reflect the possible impacts of the Soviet nuclear accident at Chernobyl because of a lack of specific information.

World milk production totaled an estimated 417 million tons in 1985, up 1 percent despite control programs in many developed countries. The major output increase occurred in the United States with an increase of nearly 4 million tons. Milk output declined in both the European Community (EC-10) and Eastern Europe. For 1986, milk production is expected to increase 3 million tons, largely due to continued expansion in the USSR.

World production of butter and nonfat dry milk declined in 1985. Production of cheese and casein increased 3 and 4 percent, respectively. In developed countries, manufacturers continued to emphasize cheese rather than butter production. In 1986, the unchanged level of milk production in the EC and United States will tend to limit growth in output of dairy products at the global level.

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Cow Numbers and Milk Production in Selected Countries

	----Cow Numbers------			--Milk Production--		
	1984	1985 1/	1986 2/	1984	1985 1/	1986 2/
	----Million Head------			------Million Tons-----		
United States	10.8	11.0	10.7	61.4	65.2	65.3
Canada	1.7	1.7	1.7	8.2	8.2	8.1
EC-10	25.8	24.8	24.2	109.2	107.9	107.9
Eastern Europe	15.5	15.2	14.9	43.7	43.5	42.3
USSR	43.9	43.6	42.8	97.9	98.2	100.0
China	0.7	0.9	1.0	2.2	2.5	2.8
Japan	1.1	1.1	1.1	7.1	7.4	7.2
Australia 3/	1.8	1.8	1.8	6.1	6.2	6.2
New Zealand 4/	2.1	2.2	2.2	7.6	7.9	8.2
Total of 38 Countries	164.8	163.4	161.9	413.1	417.4	420.3

1/Preliminary. 2/Forecast. 3/Year ending June 30. 4/Year ending May 31.

In the United States, milk output increased sharply in 1985 as farmers responded to low feed prices and the end of the dairy diversion program. For 1986, the whole herd buyout program is expected to keep production near year-earlier levels. Canada's milk production is expected to decline slightly in 1986 because the quota for industrial production was cut for 1985/86 (August-July) and the penality for over-quota deliveries was increased.

Milk output in the EC-10 declined about 1.5 percent in 1985 as producers continued to adjust production to avoid exceeding quotas and subjecting themselves to payment of super levies. Output in 1986 is not expected to decline since the quotas remain the same, and some reports indicate that efficient producers can make a profit even with over-quota deliveries. As part of its overall farm price program, the EC announced 1986/87 milk prices will be kept the same in terms of European Community Units. Also, delivery quotas will be reduced an additional 2 percent for 1987/88 and 1 percent in 1988/89.

Milk production in Eastern Europe was down slightly in 1985, and a 2.5-percent decline is expected in 1986. These declines are due principally to developments in Poland where many small producers are getting out of production because of lack of profits. The same problem also is reportedly affecting Yugoslavia and Hungary.

Milk cow numbers were down 1 percent in the Soviet Union in 1985; however, increased productivity due to larger feed supplies during the last half of 1985 and continued improvement in management and genetics facilitated a small increase in production. For 1986, another decline in cow numbers and another increase in milk production is expected.

Milk production in China continues to show rapid expansion. Most of China's growth is the result of expansion by individuals with less than 10 cows. In Japan, milk output is expected to turn down because demand for fluid milk declined in 1985 and that category of use represents an important part of the profitability in dairying.

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Australia's milk production expanded slightly in 1985, adding to the country's surplus. Limited prospects for profitable production are expected to prevent further expansion in 1986. In contrast, limited prospects in New Zealand for alternative use of resources now used for dairy, as well as very favorable conditions for grass and forage production, indicates production will expand again in 1986.

World butter production declined about 1 percent in 1985 due mainly to lower EC-10 production resulting from lower milk production and higher cheese output. EC-10 production of butter is expected to expand slightly in 1986. With increased milk production, U.S. butter production expanded over 10 percent in 1985, but 1986 output should be about the same as that of 1985. In the USSR, butter output is expanding at about the same rate as the increase in milk production.

Production of Dairy Products in Selected Countries
1,000 metric tons

	-----Butter------------			-----Cheese---------		
	1984	1985 1/	1984 2/	1984	1985 1/	1986 2/
United States	500	566	570	2,120	2,279	2,400
Canada	108	95	90	193	208	213
EC-10	2,099	1,996	2,012	3,759	3,836	3,882
Eastern Europe	879	856	833	768	765	775
USSR	1,588	1,595	1,625	780	785	800
Japan	78	89	85	19	20	20
Australia 3/	111	114	107	161	160	164
New Zealand 4/	287	295	299	110	115	126
Total 5/	6,759	6,718	6,740	9,218	9,500	9,740

	-----Nonfat Dry Milk----------		
	1984	1985 1/	1986 2/
United States	526	631	745
Canada	120	108	100
EC-10	2,118	1,917	1,841
Eastern Europe	223	198	188
USSR	457	459	468
Japan	155	181	172
Australia 3/	123	148	135
New Zealand 4/	248	242	230
Total 5/	4,332	4,235	4,208

1/Preliminary. 2/Forecast. 3/Year ending June 30. 4/Year ending May 31.
5/Total of 35 countries for butter, 34 countries for cheese, and 30 countries for nonfat dry milk.

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World cheese output reached 9.5 million tons in 1985, an increase of 3 percent. A further 2-percent increase is expected in 1986. The increased U.S. output accounts for about half the global increase in both years. Production in Canada was up 8 percent in 1985 as milk was diverted from butter manufacture. Canada is forecast to increase cheese production again in 1986. In New Zealand, larger supplies of milk allowed increased production of both butter and cheese in 1985. A similar pattern is expected in 1986.

World production of nonfat dry milk (NDM) declined 2 percent in 1985 due mainly to a decline in the EC-10. World and EC-10 production is forecast to decline again in 1986. Part of the reason behind the EC-10 production decline is reduced demand for NDM in animal feed. Reduced butter production should bring a reduction in NDM output in Australia in 1986.

Casein production in 1985 totaled 234,000 tons, about 4 percent above 1984. Production in the EC-10 increased as processors took advantage of the ability to switch between products in order to increase their profit potential. Australian production was down sharply in 1985 as output of NDM increased. In 1986, New Zealand's production of casein is forecast to increase as export prospects appear relatively more favorable for casein than for other products. Lower milk output is expected to cause 1986 casein output in Poland to decline.

TOBACCO

Larger Korean Tobacco Crop Forecast for 1986. According to the U.S. agricultural counselor in Seoul, Korea's 1986 total unmanufactured tobacco crop is forecast at 80,000 tons, 6 percent greater than the revised 1985 crop of 75,679 tons. Favorable weather in January and February allowed the timely establishment of tobacco seedbeds. The transplanting of seedlings began on time in March and is nearly complete despite dry soil conditions in producing areas.

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Poor Quality Tobacco Leaf Continues To Plague Chinese Tobacco Industry. According to the U.S. agricultural counselor in Beijing, the 1986 total unmanufactured tobacco crop in China is forecast at 2,146,200 tons, 8 percent less than the revised 1985 record crop of 2,324,600 tons. The decline in production is largely attributed to a 6-percent reduction in area. Although some progress was made in 1985 to upgrade leaf quality, the production of poor quality leaf continues to be the major problem confronting the Chinese tobacco industry. The government has introduced a more specific but simplified grading system which encourages the production of high-quality leaf.

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Philippine Tobacco Farmers Shift From Tobacco to More Profitable Crops. According to the U.S. agricultural counselor in Manila, the 1986 total unmanufactured tobacco crop in the Philippines is forecast at 73,315 tons, 3 percent below the revised 1985 crop of 75,871 tons. The lower crop estimate is anticipated at a result of a 7-percent decline in area. Farmers continue to shift from tobacco to more profitable crops such as cotton, garlic and vegetables. More recently, farmers have shifted from tobacco to corn production. The sharp decline in tobacco area in recent years also has been the result of inadequate financial and technical assistance.

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Mexico's Tobacco Crop Expected To Be Up Sharply. According to the U.S. agricultural counselor in Mexico City, the 1986 total unmanufactured tobacco crop in Mexico is forecast at 75,810 tons, 41 percent above the revised 1985 crop of 53,820 tons. The expected sharp increase in production is anticipated as a result of a 40-percent area increase, favorable weather and better control of blue mold fungus. Producing states, in order of importance, include Nayarit, Veracruz, Chiapas and Oaxaca.

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Drought Cuts Brazil's 1986 Tobacco Crop. According to the U.S. agricultural officer in Sao Paulo, Brazil's 1986 total unmanufactured tobacco crop is forecast at 345,000 tons, 8 percent below the revised 1985 crop of 375,000 tons. The 1986 non-irrigated tobacco crop was planted under favorable conditions last June and July. No problems were experienced with transplanting in August and September. However, drought conditions in late September and early October persisted until mid-February, cutting both quality and quantity.

TEA

World Tea Production Shows Increase. World tea production in 1985 of 2.266 million tons was up 4 percent from 1984 and 1 percent more than last December's estimate.

India, the world's largest tea producer, harvested a record 657,290 tons in 1985, 12,000 tons more than in 1984. Increased outturn of 20,468 tons in North India due to more favorable weather and increased application of fertilizer and pesticides more than offset an 8,300-ton decline in South India. In China, total tea production in 1985 was 440,000 tons, 6 percent more than the amount picked in 1984, and 13 percent higher than previously forecast. In Sri Lanka, the 1985 outturn of 214,094 tons, although a bumper crop, is still below the record of 228,700 tons produced 20 years ago.

For Kenya in 1985, a combination of favorable growing conditions and new plantings coming into production, together with young bushes increasing in productivity, resulted in a record harvest of 147,100 tons. Preliminary data indicate Kenya's tea exports in 1985 were a record 129,688 tons, 42 percent above a year earlier.

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EXPORT ENHANCEMENT INITIATIVE

The status of USDA's Export Enhancement Program as of May 15, 1986, was as follows in metric tons:

ANNOUNCED INITIATIVES	DATE ANNOUNCED	QUANTITY/RESULTS	
31. Saudi Arabia Barley	May 7, '86	500,000	
30. Algeria Barley	Apr 17, '86	500,000	
29. Morocco Dairy Cattle	Apr 16, '86	4,000 head	
28. Turkey Dairy Cattle	Apr 16, '86	5,000 head	
27. Egypt Dairy Cattle	Apr 16, '86	6,000 head	
26. Yemen Poultry Feed	Apr 14, '86	150,000	
25. Yugoslavia Wheat	Apr 10, '86	200,000	Sold 20,000
24. Indonesia Dairy Cattle	Apr 9, '86	7,500 head	
23. Syria Wheat	Apr 8, '86	700,000	
22. Benin Wheat	Apr 7, '86	45,000	
21. Algeria Table Eggs	Apr 4, '86	500 million	
20. Iraq Dairy Cattle	Apr 4, '86	6,500 head	
19. Jordan Wheat	Mar 19, '86	75,000	COMPLETE
18. Tunisia Wheat	Mar 18, '86	300,000	Sold 50,000
17. Algeria Wheat Flour	Feb 25, '86	100,000	
16. Algeria Semolina	Feb 11, '86	250,000	
15. Philippines Wheat	Jan 7, '86	150,000	COMPLETE
14. Zaire Wheat	Dec 27, '85	40,000	Sold 20,000
13. Nigeria Barley Malt	Dec 10, '85	100,000	
12. Iraq Wheat Flour	Dec 9, '85	150,000	Sold 75,000
11. Egypt Poultry	Nov 26, '85	8,000	COMPLETE
	Mar 21, '86	15,000	COMPLETE
10. Zaire Wheat Flour	Nov 18, '85	64,000	Sold 45,000
9. Philippines Wheat Flour	Nov 15, '85	100,000	Sold 50,000
8. Jordan Rice	Nov 8, '85	40,000	Sold 22,700
7. Turkey Wheat	Oct 16, '85	500,000	COMPLETE(506,600)
	May 8, '86	500,00	
6. Morocco Wheat	Sept 30, '85	1,500,000	Sold 890,000
5. Yemen Wheat	Sept 6, '85	100,000	Sold 50,000
4. Yemen Wheat Flour	Aug 20, '85	50,000	Sold 31,500
	Apr 14, '86	100,000	
3. Egypt Wheat	Jul 26, '85	500,000	COMPLETE
	Oct 30, '85	500,000	Sold 197,500
2. Egypt Wheat Flour	Jul 2, '85	600,000	Sold 175,000
1. Algeria Wheat	Jun 4, '85	1,000,000	COMPLETE
	Apr 10, '86	1,000,000	

Announced to date	10,430,000 (grain equivalent) 500 million table eggs 23,000 tons frozen poultry 29,000 head dairy cattle
Sold to Date	3,431,500 wheat 517,300 flour, grain equivalent 23,000 frozen poultry 22,700 rice
Bonus	$183.3 million at book value (1,287,300 tons)

*U.S. GOVERNMENT PRINTING OFFICE: 1986-490-916:40337/FAS

Selected International Prices

Item	May 20, 1986		Change from a week ago	A year ago
ROTTERDAM PRICES 1/	$ per MT	$ per bu.	$ per MT	$ per MT
Wheat:				
Canadian No. 1 CWRS-13.5%.	N.Q.	--	--	184.50
U.S. No. 2 DNS/NS: 14%....	163.00	4.44	-4.50	167.00
U.S. No. 2 S.R.W. 10/	121.00	3.29	-6.00	141.00
U.S. No. 3 H.A.D.........	170.00	4.63	-2.00	178.00
Canadian No. 1 A: Durum...	N.Q.	--	--	187.00
Feed grains:				
U.S. No. 3 Yellow Corn....	119.00	3.02	+4.00	131.50
Soybeans and meal:				
U.S. No. 2 Yellow........	214.00	5.82	-.80	231.50
Brazil 47/48% SoyaPellets	189.00	--	-5.00	142.50
U.S. 44% Soybean Meal....	183.00	--	-4.00	143.50
U.S. FARM PRICES 3/				
Wheat....................	118.67	3.23	-4.04	121.98
Barley...................	59.71	1.30	--	83.59
Corn.....................	94.09	2.39	+1.18	103.15
Sorghum..................	90.39	4.10	+1.10	97.44
Broilers.................	1225.76	--	+88.62	1170.86
EC IMPORT LEVIES				
Wheat 5/.................	174.80	4.76	-.35	73.40
Barley...................	161.25	3.51	-4.80	67.35
Corn.....................	152.10	3.86	-1.50	60.05
Sorghum..................	159.70	4.06	-1.25	72.10
Broilers 4/ 6/ 8/.........	N.Q.	--	N.Q.	N.Q.
EC INTERVENTION PRICES 7/ 9/				
Common wheat(feed quality)	196.70	5.35	-3.05	149.65
Bread wheat (min. quality)	208.90	5.68	-3.25	158.95
Barley and all other feed grains.......	196.70	--	-3.05	149.65
Broilers 4/ 6/...........	N.Q.	--	N.Q.	N.Q.
EC EXPORT RESTITUTIONS (subsidies)				
Wheat	96.20	2.62	--	N.A.
Barley....................	128.60	2.80	+.75	N.A.
Broilers 4/ 6/ 8/.........	N.Q.	--	N.Q.	N.Q.

1/ Asking prices in U.S. dollars for imported grain and soybeans, c.i.f., Rotterdam. 2/ Hundredweight (CWT). 3/ Five-day moving average. 4/ EC category--70 percent whole chicken. 5/ Reflects lower EC export subsidy--down to 20.00 ECU/100 bag effective 9/14/83 from 22.50 ECU/100 bag set in 2/83. 6/ F.o.b. price for R.T.C. broilers at West German border. 7/ Reference price. 8/ Reflects change in level set by EC. 9/ Changes may be due partly to exchange rate fluctuations and/or ECU payments. 10/ July. N.A.=None authorized. N.Q.=Not quoted. Note: Basis June delivery.